

OFFICE OF CONGRESSMAN EARL BLUMENAUER
APPROPRIATIONS REQUEST FORM
FISCAL YEAR 2011

Instructions

1. Please complete the entire form. **All fields are required.**
2. Please do not **bold**, underline, or *italicize* responses.
3. Request forms must be submitted as a Word document.
4. All completed request forms and any supplemental materials must be submitted via email to:
Appropriations.Blumenauer@mail.house.gov
5. Please do not send more than one request per email.
6. All completed request forms must be submitted no later than **Friday, February 26, 2010.**
7. If you do not receive an email confirming receipt of your request within 48 hours of submission, please contact Stephanie Cappa in Congressman Blumenauer's Washington, D.C. office at 202-225-4811.

PLEASE NOTE: All appropriations requests submitted to Congressman Blumenauer's office will be made public on his website, as required by the House Committee on Appropriations.

Project Details

1. **Project title:**
Business Oregon - Capital Access for Job Creation
2. **Organization name and address (the recipient of the funds):**
Oregon Business Development Department (Business Oregon)
775 Summer St., NE, Suite 200
Salem, OR 97301-1280
3. **Contact information**
 - a. **Project's primary contact:** John Wahrgren
 - b. **Daytime telephone number/ mobile phone number:** (503) 229-5211/ ([REDACTED])
 - c. **Email Address:** john.wahrgren@state.or.us
 - d. **Project location** (if different than organization's address):
One World Trade Center
121 SW Salmon, Suite 205
Portland, Oregon 97204
4. **Please describe the requesting organization's main activities.**

The State of Oregon's economic development department, Business Oregon, offers a broad range of tools designed to create better living environments for the state's residents through higher paying, family-wage jobs and successful businesses. Access to capital through a sustainable capital pool is a growing need being addressed by Business Oregon. The department's largest lending tool for businesses, the Oregon Business Development Fund (OBDF), is a successful revolving loan fund, and is currently oversubscribed. It has been an important source of leverage for private business capital and job creation in Oregon.

5. Is this organization a public, private non-profit, or private for-profit entity?

The Oregon Business Development Department (Business Oregon) is the state's public, economic development agency.

6. From what federal agency and account are you requesting funds (Please be specific – e.g., Department of Housing and Urban Development, Economic Development Initiatives account)?

One potential bill option is the Financial Services General Government Appropriations Bill, Small Business Administration Account. Other options may include reprogramming ARRA or TARP funds.

7. Briefly describe the activity or project for which funding is requested (no more than 500 words).

This request is for federal grant funding to recapitalize the state's revolving loan fund (OBDF) in an amount up to \$5 million. The Oregon Business Development Fund provides direct loans to Oregon businesses to create jobs. The fund has a demonstrated record of success in partnering with Oregon credit-worthy banks to provide access to capital for Oregon businesses, directly creating, and retaining family-wage jobs.

This successful business financing program receives significantly more demand than it can fill. Recapitalization would be a quick mechanism to generate and document the creation and retention of family wage jobs through this established high performing, efficient and well managed business financing program.

OBDF investment provides return to the economy in many ways. The program is self-sustaining and revolving. It returns repayment of all loan principal, interest and fee income to the fund, and the jobs it creates can generate vitally important additional state and federal income tax revenues. One \$300,000 OBDF loan, creating ten new \$50,000 adjusted gross income jobs, can generate more than \$23,000 in net income tax revenues each year to the state of Oregon.

The OBDF statewide revolving loan fund was established in 1983. It has successfully assisted businesses in obtaining more than 400 loans for total projects costing over \$400 million. This fund has revolved more than 3.5 times, with a default rate of only 2%, which is less than ½ of the default rate originally anticipated, given the program's slightly higher risk profile. Most of this financing would not have happened at the critical periods necessary for business success without this important financing tool.

With the OBDF program, Business Oregon has created/maintained an average of one job per \$30,000 of funding. However, even using the more conservative federal SBA 504 "regular loan" requirement of one job per \$65,000 of loan, a \$5 million investment could retain/create more than 75 direct job opportunities from only the initial funding. As loans repay and funds revolve, even more family wage jobs may be created or retained.

8. What is the purpose of the project? Why is it a valuable use of taxpayer funds? How will the project support efforts to improve the economy and create jobs in Oregon?

One unfortunate result of the current recession has been a general loss of business confidence. A tightening of credit among business suppliers and throughout the financial markets has resulted in an unsatisfied demand for working capital lines of credit necessary to support business operations

and to retain jobs. Business Oregon continues to see increased requests from community bank and other financing partners for direct gap financing. Especially in the current high unemployment rate economy, this government-private lender partnership creates access to capital not possible without Business Oregon's OBDF involvement.

The purpose of the project is to help grow financially healthy Oregon businesses that are capable of creating high-paying Oregon family wage jobs. This is a valuable use of taxpayer funds because it will help get the economy going by facilitating greater leverage of private business capital. There is job creation/retention of one job per \$30,000 in OBDF loan amount. Nearly 60% of OBDF loans have been in rural areas of Oregon. Thirty percent have been located in distressed areas. Business Oregon has been doing all that it can to help with the recovery by addressing the increased need for business access to capital. The OBDF, without new capitalization, will be out of funds and unable to fully deliver on its current mission of economic recovery through new job creation and retention. The benefits of this funding are as follows:

- a. Directly assists small businesses and helps restore confidence and stability in the capital markets. This ability to partner with Oregon's community banks and to assist small businesses with their need for access to capital will help restore business confidence, create jobs, and, hopefully lead Oregon and the country to a much faster economic recovery.
- b. Enables transparency and accountability through existing reporting mechanisms to track and report results. The OBDF has a robust reporting mechanism which enables Business Oregon to report to the state legislature, the federal government, and the general public a record of each business investment and the proposed/actual job retention/creation.
- c. Provides a long-term increase in capacity to assist businesses through a successful program with demonstrated results. The revolving loan fund provides a permanent increase in Oregon's capacity to assist businesses with access to capital. It is designed to provide for ongoing economic growth, development, and new family-wage jobs.

9. Has this project received federal appropriations funding in past fiscal years?

Yes.

9a. If yes, please provide the fiscal year, Department, Account, and funding amount of any previous funding.

The OBDF original capitalization included \$2,000,000 of Federal Economic Development Administration (EDA) funds from the Title IX, Section 903, of the amended Public Works and Economic Development Act of 1965, Sudden & Severe Economic Dislocation (SSED) assistance, Economic Adjustment Project No. 07-19-02634. Oregon's acceptance of this grant was dated August 30, 1982 and the Oregon Business Development Department began administration during the 1983 fiscal year with a \$667,000 initial match.

Funding Details

10. Amount requested for this project:

\$5 million.

11. Breakdown/budget of the amount you are requesting for this project (e.g., salary \$40,000; computer \$3,000):

100% are to be revolving loan funds. The OBDF administration is self-funded from a below-market interest rate and loan fees.

12. What is the total cost of the project?

The requested \$5 million in new federal funding, using the historical leverage of 60% to 80% in private capital, would permit a total project investment between \$12 million and \$25 million.

13. Is this project scalable (i.e., If partial funding is awarded, will the organization still be able to use the funds in FY 2011)?

Yes.

14. What other funding sources (local, regional, state) are contributing to this project or activity? (Please be specific about funding sources and funding amounts)

The current OBDF fund balance is approximately \$30 million. The capitalization of \$18,013,863 is approximately 89% from the state of Oregon. (\$2 million EDA, \$16 million state funding) This fund has revolved more than 3.5 times. The OBDF provides up to 40%, with an average of about 20%, of each financing transaction. Private funding sources provide most of the funding balance, or approximately 80% of each financing.

15. Please list public or private organizations that have supported/endorsed this project.

A few examples of over 400 private Oregon businesses that have received OBDF financing are available on the Business Oregon web site: www.oregon4biz.com Featured stories are presented at <http://www.oregon4biz.com/stories.php> for: New Energy Works Timberframers, Inc.-McMinnville, GeoDyne, Inc- Lake Oswego, The Purlin Mill-Hubbard, Scratch Golf Clubs-Springfield, Reustle Vineyards-Roseburg, Fontana Wood Products-Prineville, Winners Choice-John Day, Cutters Edge & Natural Structures-Baker City, Outback Manufacturing Inc.-Bend, Krauss Craft, Inc.-Merlin/Grants Pass, Nighthawk Graphics-Medford, and Brammo Motorsports-Ashland. Additional financings include: Bridgetown Natural Foods-Portland, WestPort Medical, Inc.-Salem, Encore Ceramics-Grants Pass, Rogue Creamery-Central Point, Williams Aircraft-Burns, and Snack Alliance, Inc-Hermiston. A separate complete list, and additional letters of support/endorsement from key business loan recipients, and/or private lender partners can be provided.

Please return this form no later than Friday, February 26, 2010 via email to:

Appropriations.Blumenauer@mail.house.gov

Washington, D.C. Appropriations Contact for Rep. Earl Blumenauer: Stephanie Cappa, 202-225-4811, Stephanie.Cappa@mail.house.gov

Oregon Appropriations Contact for Rep. Earl Blumenauer: Sarah Masterson, 503-231-2300, Sarah.Masterson@mail.house.gov